

INITIATIVE 337

I, Sam Reed, Secretary of State of the State of Washington and custodian of its seal, hereby certify that, according to the records on file in my office, the attached copy of Initiative Measure No. 337 to the Legislature is a true and correct copy as it was received by this office.

1 AN ACT Relating to performance audits of governmental entities;
2 amending RCW 82.08.020; adding a new section to chapter 82.12 RCW;
3 adding new sections to chapter 43.09 RCW; and creating new sections.

4 BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

5 POLICIES AND PURPOSES

6 NEW SECTION. **Sec. 1.** It is essential that state and local
7 governments establish credibility with the taxpayers by implementing
8 long-overdue performance audits to ensure accountability and guarantee
9 that tax dollars are spent as cost-effectively as possible. Are
10 politicians spending our current tax revenues as cost-effectively as
11 possible? Voters don't know because politicians have repeatedly
12 blocked our state auditor from conducting independent, comprehensive
13 performance audits on state and local governments, agencies, programs,
14 and accounts. Currently, Washington is the only state in the nation
15 that prohibits the independently elected state auditor from doing the
16 job he or she was hired to do without explicit legislative permission.
17 This handicap is costing the taxpayers billions of dollars in potential
18 savings. Thankfully, this common sense initiative remedies this

egregious failure of politicians to enact this reform. It is absurd for politicians to unilaterally impose tax increases or to seek voter approval for tax increases without first learning if we're getting the biggest bang for the buck from our current tax revenues. This measure requires the state auditor to conduct independent, comprehensive performance audits on state and local governments, agencies, programs, and accounts. This act dedicates a portion of the state's existing retail sales and use tax (1/100th of 1%) to fund these comprehensive performance audits. Similar performance reviews in Texas have saved taxpayers there nine billion dollars out of nineteen billion dollars in identified savings over the past decade. The performance audits required by this common sense initiative will identify solutions to our public policy problems, saving the taxpayers billions of dollars.

REQUIRING INDEPENDENT, COMPREHENSIVE PERFORMANCE AUDITS OF STATE AND LOCAL GOVERNMENTS, AGENCIES, PROGRAMS, AND ACCOUNTS

NEW SECTION. **Sec. 2.** A new section is added to chapter 43.09 RCW to read as follows:

The state auditor shall conduct independent, comprehensive performance audits of state government and each of its agencies, accounts, and programs; local governments and each of their agencies, accounts, and programs; state and local education governmental entities and each of their agencies, accounts, and programs; state and local transportation governmental entities and each of their agencies, accounts, and programs; and other governmental entities, agencies, accounts, and programs. The term "government" means an agency, department, office, officer, board commission, bureau, division, institution, or institution of higher education. This includes individual agencies and programs, as well as those programs and activities that cross agency lines. "Government" includes all elective and nonelective offices in the executive branch and includes the judicial and legislative branches. The state auditor shall review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts. These performance audits shall be conducted in accordance with the United States general accounting office government auditing standards. The state auditor may contract out any performance audits. The scope for any performance

audits shall not be limited. For counties and cities, the audit may be conducted as part of audits otherwise required by state law. Each audit report shall be submitted to the corresponding legislative body or legislative bodies and made available to the public on or before thirty days after the completion of each audit or each follow-up audit. On or before thirty days after the performance audit is made public, the corresponding legislative body or legislative bodies shall hold a public hearing to consider the findings of the audit and shall receive comments from the public. The state auditor is authorized to issue subpoenas to governmental entities for required documents, memos, and budgets to conduct the performance audits. The state auditor may, at any time, conduct a performance audit to determine not only the efficiency, but also the effectiveness, of any government agency, account, or program. No legislative body, officeholder, or employee may impede or restrict the authority or the actions of the state auditor to conduct independent, comprehensive performance audits. To the greatest extent possible, the state auditor shall instruct and advise the appropriate governmental body on a step-by-step remedy to whatever ineffectiveness and inefficiency is discovered in the audited entity. For performance audits of state government and its agencies, programs, and accounts, the legislature must consider the state auditor reports in connection with the legislative appropriations process. An annual report will be submitted by the joint legislative audit and review committee by July 1st of each year detailing the status of the legislative implementation of the state auditor's recommendations. Justification must be provided for recommendations not implemented. Details of other corrective action must be provided as well. For performance audits of local governments and their agencies, programs, and accounts, the corresponding legislative body must consider the state auditor reports in connection with its spending practices. An annual report will be submitted by the legislative body by July 1st of each year detailing the status of the legislative implementation of the state auditor's recommendations. Justification must be provided for recommendations not implemented. Details of other corrective action must be provided as well. The people encourage the state auditor to aggressively pursue the largest, costliest governmental entities first but to pursue all governmental entities in due course. Follow-up performance audits on any state and local government, agency, account, and program may be conducted when determined necessary by the state

auditor. Revenues from the performance audits of government account, created in section 5 of this act shall be used for the cost of the audits.

**DEDICATING A PORTION OF THE STATE'S EXISTING
RETAIL SALES TAX (1/100TH OF 1%) TO FUND THE PERFORMANCE AUDITS**

Sec. 3. RCW 82.08.020 and 2003 c 361 s 301 are each amended to read as follows:

(1) There is levied and there shall be collected a tax on each retail sale in this state equal to six and five-tenths percent of the selling price.

(2) There is levied and there shall be collected an additional tax on each retail car rental, regardless of whether the vehicle is licensed in this state, equal to five and nine-tenths percent of the selling price. The revenue collected under this subsection shall be deposited in the multimodal transportation account created in RCW 47.66.070.

(3) Beginning July 1, 2003, there is levied and collected an additional tax of three-tenths of one percent of the selling price on each retail sale of a motor vehicle in this state, other than retail car rentals taxed under subsection (2) of this section. The revenue collected under this subsection shall be deposited in the multimodal transportation account created in RCW 47.66.070.

(4) For purposes of subsection (3) of this section, "motor vehicle" has the meaning provided in RCW 46.04.320, but does not include farm tractors or farm vehicles as defined in RCW 46.04.180 and 46.04.181, off-road and nonhighway vehicles as defined in RCW 46.09.020, and snowmobiles as defined in RCW 46.10.010.

(5) Beginning on December 1, 2005, 0.1538 percent of the taxes collected under RCW 82.08.020(1) shall be dedicated to funding comprehensive performance audits required by this act. The revenue collected under this subsection shall be deposited in the Performance Audits of Government Account in accordance with section 5 of this act.

(6) The taxes imposed under this chapter shall apply to successive retail sales of the same property.

~~((+6+))~~ (7) The rates provided in this section apply to taxes imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

1 **DEDICATING A PORTION OF THE STATE'S EXISTING**
2 **RETAIL USE TAX (1/100TH OF 1%) TO FUND THE PERFORMANCE AUDITS**

3 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.12 RCW
4 to read as follows:

5 The use tax revenue collected on the percentage provided in RCW
6 82.08.020(5) shall be deposited in the Performance Audits of Government
7 Account in accordance with section 5 of this act.

8 **CREATING THE PERFORMANCE AUDITS OF GOVERNMENT ACCOUNT**

9 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.09 RCW
10 to read as follows:

11 All the tax revenues generated under RCW 82.08.020(5) and under the
12 new section added to chapter 82.12 RCW by section 4 of this act shall
13 be transferred into the Performance Audits of Government Account which
14 is hereby created. The money in the Performance Audits of Government
15 Account shall be used to fund the performance audits and follow-up
16 performance audits and shall be expended by the state auditor in
17 accordance with this act. This account is created in the custody of
18 the state treasurer. All receipts from the performance audits of
19 government must be deposited into the account. Only the state auditor
20 or the state auditor's designee may authorize expenditures from the
21 account. The account is subject to allotment procedures under chapter
22 43.88 RCW, but an appropriation is not required for expenditures.

23 **CONSTRUCTION CLAUSE**

24 NEW SECTION. **Sec. 6.** The provisions of this act are to be
25 liberally construed to effectuate the intent, policies, and purposes of
26 this act.

27 **SEVERABILITY CLAUSE**

28 NEW SECTION. **Sec. 7.** If any provision of this act or its
29 application to any person or circumstance is held invalid, the
30 remainder of the act or the application of the provision to other
31 persons or circumstances is not affected.

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EFFECTIVE DATE

2 NEW SECTION. **Sec. 8.** This act shall be called the Performance
3 Audits of Government Act and shall take effect on December 1, 2005.

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